

## RED MAPLE RESOURCES, INC.

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April 29, 2016

Ms. Michele Wildman  
Chief Housing Investment Officer  
Michigan State Housing Development Authority  
735 E. Michigan Avenue  
Lansing, MI 48909

Dear Ms. Wildman,

I am pleased to submit comments regarding the 2017 QAP. First, I want to commend MSHDA for an open process that commenced last year and has incorporated multiple opportunities for feedback. Also, I feel MSHDA is focusing on important policy priorities for the State and QAP that is described in the Staff Notes. Here are my comments regarding the QAP:

### **Development Team Characteristics**

I would like MSHDA to revise some of the criteria to provide a clearer path for developers who are building their experience and capacity to achieve experience points. I would like MSHDA to consider substantial participation by a partner other than in a role as a guarantor in order for experience points to be awarded. I encourage MSHDA to consider developments with fewer than twelve units to count toward experience, as well as to change the current timing requirement of having been placed in service for three years, but then no longer counting as experience at fifteen years. These steps will recognize development that are often difficult to achieve, such as for smaller projects in a place-based strategy, or in rural areas. I support the proposal for experience points that CEDAM included as Attachment A in its comments.

### **Permanent Supportive Housing Set Aside**

MSHDA should separate the preservation of PSH units so the set-aside is focused on the creation of new PSH units. The emphasis of creation of new PSH units is in line with the long-standing commitment of MSHDA and multiple Governors to reduce and eliminate homelessness.

In the same vein of insuring that the PSH set-aside is dedicated to new production, I suggest that when PSH credits are returned to MSHDA, that they are returned to the PSH set aside pool, as opposed to the general pool.

I believe that PSH developments are disadvantaged by the cost containment formula, as developers go above and beyond with design requirements, community space and other amenities to meet the unique needs of PSH tenants. This adds to the overall construction costs. Currently, preservation and historic developments have different cost containment formulas. I suggest that MSHDA consider the same for PSH deals. I also request that MSHDA, when considering cost compliance, only compare the prices of PSH developments with other PSH developments, as is done in many other states. Or, PSH is simply given a waiver for cost containment.

I suggest that MSHDA also reconsider adding points back in for PSH for community spaces that go beyond the standard requirements detailed in the Scoring Criteria, as was done in prior QAPs.

I request that MSHDA modify its requirements for funding for services, requiring only one year of commitment for funding for services, with funding in reserves for an additional year of services, and with

a letter of intent to seek out funding for the services for the full term. I also believe that the level of services required to obtain points in the scoring process should be revised to match the level of services needed for the targeted tenant population and updated to reflect current state and federal criteria as the strategy for services can vary depending on the populations residing in projects. The current scoring policy was adopted prior to targeting Chronic Homelessness or having those who score the highest on assessment tools used by Coordinated Entry Systems (HARAs) become the norm for PSH developments following best practices. I suggest that the number of hours of on-site case management required be assessed per unit as opposed to a range of units depending on the size of the facility.

In the staff notes, Addendum III review language is addressed, but it is not formally addressed in the QAP. I suggest that the QAP language matches the staff notes. Also, the language in the Addendum III and staff notes for the intent of the early submission and applicants' ability to make revisions in between the Addendum III review meeting and the application deadline is inconsistent. I suggest that the Addendum III incorporate the language in the staff notes.

It is important for the definition of homeless frequent emergency department users to get defined quickly (with an open comment period) so PSH developers have sufficient time to structure their projects accordingly in advance of the October round. Also, I would like to see MSHDA clarify how developers would provide evidence that they are providing adequate and required services in Addendum III. For PSH projects, MSHDA reduced the basis boost to 10% from 30% in the current QAP, which results in a large reduction in basis. In order to address this large reduction, we request that MSHDA consider making the basis boost categories cumulative, as opposed to either/or.

The number of units that is threshold to gain PSH experience points should be maintained at 50 for both the developer and management agent.

### **Walk Score**

I recognize that with Walk Score MSHDA is seeking to encourage place-based strategies and prioritize developments in areas with a high quality of life. I believe that Walk Score is not the most appropriate tool to measure this for affordable housing development strategies. This is especially true for populations served in the PSH set-aside.

Walk Score does not always accurately reflect a community's amenities or quality of life that we are seeking to address through affordable housing development. Walk Score often reflects out-of-date information and may include amenities not actually present. Walk Score can be manipulated with outdated or false data, inadvertently giving a false score. It is in everyone's best interest to utilize a scoring protocol with a high degree of reliability, which I do not believe is currently reflected through Walk Score. Similarly, Walk Score does not reflect the services related access that should be a part of a PSH project and is reflected in Addendum III review. Walk Score also does not value amenities we believe are extremely valuable to a community, like a senior center or a community center.

I ask that MSHDA commit to working with the development community over the next year to come up with a standard that meets the policy goals MSHDA seeks to achieve. In the interim, I suggest that MSHDA consider the alternatives suggested by CEDAM in their QAP letter – specifically additional points for amenities not prioritized by Walk Score but important for affordable housing and using the market study to do additional research around neighborhood amenities in lieu of the Walk Score. If MSHDA chooses to continue with Walk Score, I suggest that the market analyst review the Walk Score

for each project to assess its reliability and that MSDHA scoring track the levels of Walk Score more closely.

#### **Leveraged Debt and Cost Reasonableness**

The QAP encourages leveraged debt, but this is not always a feasible structure for some project types, such as those developed by nonprofits and especially PSH developments. Developers of these types of projects should not be penalized for seeking to minimize their amount of permanent debt. I ask that MSHDA clarify what it means by “leveraged debt” so developers have a more precise understanding of MSHDA’s expectations.

While I appreciate that MSHDA defined a 5% range for an acceptable cost percentage change, I request additional information and clarification on determining reasonable inflation or outside influences that might raise construction costs and allow for a waiver of the penalty.

#### **Affordable Assisted Living**

Currently, Affordable Assisted Living developments are included in the general pool, as opposed to receiving additional points with a separate set-aside. As Michigan has a growing population requiring assisted living (our largest growing population is that of adults aged 85 years and older), I suggest that MSHDA consider adding points for affordable assisted living developments.

#### **Cost Containment.**

I suggest that MSHDA make adjustments for PSH and other types of developments. Rather than give negative points, I suggest that you consider the City of Detroit’s proposal that offers up additional points for difficult projects that have been vacant for some time or are historic in nature, and creating a more extensive base of cost data over a ten-year period and that is county specific.

#### **Employment Centers**

I suggest that developments near an employment center should be the same number of points as Central Cities. A project should only be eligible for Central Cities or Employment Center points, but not both. I also suggest that a cluster of smaller employers employing a large number of people like an industrial park or shopping center should count as an employment center.

#### **Affordable/Market Rent Differential**

I ask that MSHDA specify if the Differential will be assessed using the Market Study, and if the Primary Market Area in the Market Study will be the geographic area utilized to determine the Differential. I believe it would be a helpful exercise if MSHDA provided examples across the state of what locations currently meet the threshold for the Differential.

#### **MSHDA’s Strategic Plan**

I appreciate that MSHDA took the time to create a new strategic plan and encourage MSHDA to consider expanding its strategic plan process to include more opportunities for public feedback and engagement, as well as to look at serving even more populations than its current focus. I feel that there should be a stronger link between the strategic plan and the QAP.

#### **Public Process for New QAP**

The timing to respond to the draft produced for the public hearings was extremely tight, making it very difficult to engage the many stakeholders and developers serving Michigan’s most vulnerable residents. In the future, I encourage MSHDA to consider a longer time frame to respond to the draft QAP.

I look forward to working on LIHTC and other housing development strategies with MSHDA. I thank MSHDA for the difficult task of seeking to deepen the impact of LIHTC projects among resources that are very limited and with significant challenges facing the implementation of affordable housing across Michigan.

Sincerely,

*Mitchel Blum-Alexander*

Mitchel Blum-Alexander  
President

CC: Jamie Schriner-Hooper, CEDAM